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**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?  
IMPLICATIONS FOR STRATEGY- MAKERS**

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**Botswana International Financial Services Centre -  
Progress Review and Initiative to Enter the Cross-Border Market  
for Business Process Outsourcing in Financial Services**

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# **BOTSWANA INTERNATIONAL FINANCIAL SERVICES CENTRE – PROGRESS REVIEW AND INITIATIVE TO ENTER THE CROSS-BORDER MARKET FOR BUSINESS PROCESS OUTSOURCING IN FINANCIAL SERVICES**

## **1. Background**

The Botswana IFSC Ltd completed its initial year of operation as an autonomous company in March 2004. The shareholder nominees in this company are representatives of the government of Botswana and the Botswana Development Corporation (BDC). The mandate of this company is to promote and position Botswana as a regional and international financial services centre in order to contribute to economic diversification, creation of sustainable new employment opportunities in Botswana, development of skills, sophistication and capacity in the financial services arena and the generation of additional taxation revenues over time. The initial rationale for Botswana to become an IFSC location was based on Botswana's comparative advantages and economic and socio-political attributes and the need to leverage on these to create sustainable and non-traditional engines of growth.

The key characteristics of the countries that have been very successful in attracting cross border BPO work include availability of sufficient numbers of skilled people with adequate English language and a service orientation, reliable and efficient technology and telecommunications, a competitive business environment and costs.

## **2. Benefits of the Financial Services Business Process Outsourcing Initiative**

The financial services BPO industry initiative is aligned to the following goals of Botswana's Vision 2016:

- **An Educated and Informed Nation.** To meet the skills requirements of the Financial Services BPO Initiative more people will need to be enrolled into tertiary institutions and colleges offering courses that are specifically targeted towards the requirements of the BPO industry.
- **A Prosperous, Productive and Innovative Nation.** If Botswana were able to achieve a global financial services cross border BPO market. Furthermore, as the country starts being able to have more complex BPO industry offerings in the longer term, the number of people working in finance, science and technology related fields will increase.
- **A Compassionate and Caring Nation.** Through reducing unemployment, particularly amongst the young and increasingly educated population the BPO Initiative will be contributing towards providing income opportunities for the unemployed. Initial estimates<sup>1</sup> indicate that between 15,000 and 17,000 jobs could be created in the BPO sector alone. Considering the number of dependents supported by these people the potential long term benefits to Botswana society as a whole is phenomenal.

## **3. What are Botswana's Key Strengths?**

One of the biggest strengths that Botswana has is its strong sovereign credit rating. These ratings help give international investors comfort in the political, social and economic stability of the country. The relatively low levels of corruption and the absence of foreign exchange controls are additional factors that are in Botswana's favour.

In addition to the above Botswana also has the following strengths that are key to attracting cross border BPO:

- Botswana has the highest education spend as a percentage of GDP when compared to 8 competing countries that were researched and documented in the study. It is however,

crucial to progressively better align this relatively high national spend on education with the training requirements of the BPO industry and other growth sectors.

- Botswana has extended working hours and a relatively low minimum wage. These factors will help the country to be price competitive.
- Although Botswana currently has the lowest ICT costs when compared with 8 peers, the pricing of international calls and the reliability of the telecommunications infrastructure urgently needs to be improved to make Botswana competitive.

### **3. Obstacles that Botswana is Facing**

Botswana's attractiveness as a BPO location, relative to the 8 previously researched BPO locations has been considered under three dimensions; ***People Skills and Availability***, ***Technology*** and the ***Business Environment***. Before Botswana can be considered as a competitive BPO location and more of the potential benefits realised, there are certain issues that must be addressed:

#### ***People Skills and Availability***

- Botswana does not yet have the necessary experience as a BPO location. This is compounded by the fact that Botswana has a very small service industry and little or no reputation regionally or internationally for having a service centric culture.
- Botswana does not currently have enough people that are readily qualified to work within the BPO industry and sustain significant growth.
- Although Government invests strongly in education there is a need to focus on relevant tertiary education programmes and other necessary training which will include short term internationally accredited courses required by the BPO industry.

#### ***Technology***

- One of the key determinants of a BPO location is the quality of telecommunications. This is one area that Botswana significantly lags behind when compared to its peers. During research it was established that BTC's service is poor and expensive, especially for international calls.
- Government needs to encourage the establishment of competitively priced voice and data facilities. The Botswana telecommunications industry needs to explore how it can invest in new technology to better the above rates and importantly implement this within a timeframe that facilitates the steady takeoff of this new industry sector.

#### ***Business Environment***

- The process of accrediting companies under the IFSC should be urgently streamlined. This could be streamlined particularly for non-financial companies such as those intending to carry out BPO activities or other financial administration services not requiring a banking licence, which now represent the IFSC's biggest growth.
- Botswana needs to have legislation that deals with data privacy and trans-border information flows. Given the sensitivity of the information that Financial Services companies deal with and the customer privacy legislation that UK and US financial institutions are required to comply with legislation in this area is a pre-requisite for a significant cross border BPO industry.
- The process for issuing of work permits, visas and registration of new businesses should continue to be facilitated and expedited further in line with best practise in competing countries in the context of the proposed national FDI attraction law.

- Botswana has a competitive corporate tax rate, particularly under the IFSC banner, but Government could consider giving additional support to Companies intending to carry out BPO activity in Botswana. Botswana should also consider negotiating special deals with international blue chip companies in order to specifically induce these companies to initiate their BPO business in Botswana. These measures need not involve monetary subsidies but be tied where it is practical, to outsourcing in domestic industry likely to be brought about by the progressive commercialisation of various state owned entities.

#### **4. What should Botswana's Strategy be?**

Botswana needs to build a reputation as a significant BPO location before it can attract substantial cross border BPO work. It is recommended that Botswana pursue a 4 step approach:

- ⇒ *Step 1:* Focus on existing BPO offerings by Companies already set up in Botswana and selected non-core offerings that can be effectively implemented during 2005
- ⇒ *Step 2:* Attract a strong international blue chip client by 2006
- ⇒ *Step 3:* Perform at excellent levels of delivery
- ⇒ *Step 4:* Focus on more complex core processes – to grow the industry to its maturity.

To support the above strategy Botswana should have a clear understanding and definition of its BPO offerings. It is recommended that a phased approach is pursued in which Botswana initially introduces non-core offerings, but incrementally introduces more complex offerings as the country develops the minimum capabilities required to service these products.

This strategy will ensure that the country realises quicker benefits and also reduces the reputational risk that may result from the introduction of offerings that cannot be adequately supported at present.